

13 April 1977

MEMORANDUM

SUBJECT: Background on Military-Economic Advisory Panel

1. Origin and purpose: Established in mid-1972 to gain outside appraisal of CIA costing efforts. The panel then aimed to advise the DCI on:

- Evaluation of data
- Evaluation of the methodology
- Its critique of the finished studies

2. DCI Schlesinger in 1973 directed the panel to report to the DDI. By 1976, the panel suggested improvements in formulation of the intelligence questions, in the research tasks and methods, and in the scope for disseminating CIA findings so as to face up to what they perceived as serious differences of opinion facing the US policy makers.

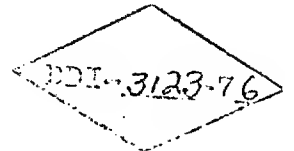
3. The panel advised in April 1976 that they should be directed again to report to the DCI. A new charter was circulated and approved by Mr. Bush.

DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

Exec. Sec. []
76-1735/A

16 APR 1976



The Honorable Robert Ellsworth
The Deputy Secretary of Defense
Washington, D. C. 20301

Dear Bob:

Thank you for your letter of 31 March on the Military-Economic Advisory Panel (MEAP). I agree that the MEAP should now report to the Director of Central Intelligence. These changes will not disrupt the close relationship the working level analysts now enjoy with the Panel members. We will be pleased to have Professor Laffer and Major Badgett join the MEAP and I am writing to both formally asking them to participate.

On 9 April, I met with the Chairman of the Panel who has agreed to carry on as Chairman. He and some of the other members asked that their association with the Panel not be made a matter of public record. Their concern is that public announcement could prevent them from traveling to the USSR or could interfere with their fruitful contacts with Soviet economic officials.

I also agree with the thrust of your recommended formulation of the MEAP charter which emphasizes the areas that deserve renewed attention. The enclosed statement I believe reflects your views. It is clear that the problem of military-economic analysis is extremely complex and simply has not had enough resources devoted to it over the years to do all the things that should be done. With this in mind, we are developing plans for augmenting the analytic resources of the Central Intelligence Agency. I know that you already have considered ways that the Department of Defense can contribute to an increased effort.

Sincerely,

/s/ George Bush
George Bush

Enclosure:
Statement

Director of Central Intelligence

Military-Economic Advisory Panel

Charter

The Director of Central Intelligence has established the Military-Economic Advisory Panel (MEAP) to examine the US Intelligence Community's military-economic analysis of Communist countries. The MEAP will continue and extend the work of the panel created by the Deputy Director for Intelligence in 1972. To accomplish its work, the MEAP will be given access to the full range of information and methodologies in use and will have full access to all intelligence community resources involved in this work.

The Panel will meet twice a year, or more frequently when current developments make it necessary. It will prepare a written report for the Director of Central Intelligence at least annually.

The MEAP will give special attention to the following areas:

- Thoroughly review and critique the data, concepts, and methodologies used in the estimates as well as the appropriateness, form, and scope of reporting the research findings.
- Examine alternatives and recommend actions which will improve the existing military economic analyses, including recommendations for new research areas to enhance the existing burden and comparative sizing analyses.
- Review alternative estimative methodologies which could provide limits or benchmarks with which existing burden and comparative sizing could be compared, and recommend the most promising alternatives for further study.



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THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

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MAR 31 1976

Honorable George Bush
Director, Central Intelligence
CIA Headquarters
Washington, DC 20505

Dear George:

This letter is to follow up our recent conversations on the intelligence community's efforts in military-economic analysis during which you decided to continue the operation of the existing Military-Economic Advisory Panel (MEAP) while incorporating some ideas for improvement. With regard to those ideas I have the following recommendations.

At present the MEAP focuses principally upon evaluating and recommending improvements to the existing CIA methodologies and reports in the comparative military-economic areas concerning the U.S. and Soviet Union. These are important responsibilities, and I believe they should remain prominent MEAP activities to be pursued with even more vigor than in the past. However, I believe the MEAP should also be charged with the broader responsibility to investigate and recommend alternative methodologies, especially those suitable for bounding the results of the principal existing CIA analyses. In addition the MEAP should be charged to suggest areas where additional profitable research could be undertaken and estimates derived which would enhance our understanding of the size and burden of Soviet defense efforts.

In part because of these broader responsibilities, I also recommend that the MEAP be elevated to report directly to the DCI rather than to the DDI as is now the case. It would be important, however, to ensure that the MEAP continue or increase its close contacts with the working level people within the CIA, and that it continue to receive from the CIA timely and complete access to the information necessary for appraising the Agency analyses.

As you suggested I have given some thought to people who might be added to the MEAP and recommend that the following two people be appointed as additional MEAP members:

Professor Arthur Laffer of Chicago; and Major Lee Badgett, recently selected as Permanent Professor and Head of Department at the USAF Academy.

Attached are some paragraphs which reflect more formally my views as to how a revised MEAP charter might look.

I hope these recommendations are helpful to you.

Sincerely,



Robert Ellsworth

Attachment
a/s

RECOMMENDED REVISIONS TO THE
MEAP CHARTER

The Military-Economic Advisory Panel (MEAP) is directed to report to the Director of Central Intelligence upon the full range of issues concerning military-economic analyses carried on by the U.S. Intelligence Community. This responsibility is to include:

- Thorough review and critique of the intelligence and conceptual bases, the methodologies, and the form, scope and dissemination of the reports, related to military-economic issues.
- Recommendation to the DCI of actions which will improve existing Intelligence Community military-economic analyses, to include recommendations for new or additional research and estimations to enhance current burden and comparative sizing analyses.
- Investigation and evaluation of alternative estimation methodologies which could provide bounds to, or checks upon the uncertainty of, existing burden and comparative sizing estimates, and the recommendation of the most promising alternatives to the DCI.

In carrying out these responsibilities the MEAP will maintain close contact with the concerned working-level analysts, and will be provided by the concerned organizations with the full range of information and briefings relevant to military-economic analysis.

The MEAP will meet twice yearly, or more frequently if appropriate, and will submit to the DCI an annual report appraising the major Intelligence Community analyses in the military-economic area, and making such recommendations as the MEAP thinks appropriate.

8 April 1976

MEMORANDUM

Responsibilities of the
Military-Economic Advisory Panel

This memorandum summarizes the responsibilities of the Military-Economic Advisory Panel (MEAP) since its formation in 1972. It provides background material for use in reviewing the proposed charter for the MEAP drafted in response to recommendations by Deputy Secretary of Defense Ellsworth.

DDI Proposal on Functions of MEAP (May 1972)

The DDI proposal stated that the mission of the MEAP was to help insure that intelligence on Soviet defense spending provided to the US decision maker was of the highest quality. To accomplish this, the proposal charged the Panel to:

1. Become familiar with the data and methods in use.
2. Advise the DCI in the following three areas:
 - Evaluation of the data,
 - Evaluation of the methodologies,
 - Critique of finished studies to assure that they:
 - a) Address the right questions,
 - b) Utilize appropriate cost concepts,
 - c) Adequately measure level, and changes in levels, of weapons development, procurement, and deployment as well as the operating activities of the forces.

3. Act as a continuing body to advise and provide review through regular meetings with CIA. In performing this function, to receive briefings by other agencies in the Intelligence Community.

Subsequent to the formation of the MEAP, Dr. Schlesinger became DCI and directed the Panel to report to the DDI.

MEAP Second Report (January 1976)

In its second report the Panel indicated that it considered its main purpose to be to advise the DDI on the present adequacy, validity, and usefulness of CIA's military economic analysis and on possible ways to improve it. The Panel saw serious differences of opinion facing US policy makers in evaluating the available evidence. The Panel sought to provide advice on minimizing the uncertainty and inconsistency in the evidence and on marshalling the evidence persuasively in forms directly applicable to decision making.

The Panel suggested improvements in:

- The formulation of intelligence questions,
- Research tasks to undertake,
- Research methods to employ,
- Ways to organize the research effort,
- The form and scope for disseminating research findings.

DoD's Recommended Revision to the MEAP Charter (March 1976)

In a recent letter to the DCI, Deputy Secretary Ellsworth recommended a charter for the MEAP. A summary of the recommendations, together with a

statement of the present status (in parenthesis), follows:

The MEAP should be directed to report to the DCI on the full range of military-economic analyses carried on by the Intelligence Community. This is to include:

- Review and critique of the bases, methodologies, and the form, scope, and dissemination of reports. (Already being done).
- Recommendations for improvements in analyses, to include recommendations of new or additional research to enhance burden and comparative sizing analyses. (Not explicit earlier but being pursued).
- Investigations and evaluations of alternative methodologies which could provide bounds to, or check upon, the uncertainty of existing estimates and recommendations to the DCI of the most promising. (Not explicit earlier and not receiving much attention by the Panel).

The MEAP in carrying out these duties will maintain close contact at the working level and be provided with the full range of information relevant to this analysis.

The MEAP will meet two or more times a year and submit an annual report appraising Community analyses and making appropriate recommendations.

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MILITARY-ECONOMIC ADVISORY PANEL

Dr. Herbert S. Levine, Chairman
University of Pennsylvania

Dr. Levine is Professor of Economics with the University of Pennsylvania. He has been a leading expert in the field of Soviet economics for over 20 years.

Lt. Col. Lee D. Badgett, USAF
USAF Academy

Major Badgett is a member of the Economic faculty at the Air Force Academy. He holds a PhD degree in economics and has worked closely with OSR on military-economics for the past few years as military assistant to Dr. Andrew Marshall, OSD/NA.

Dr. Abraham S. Becker
The RAND Corporation

Dr. Becker is with the Economic Department at the RAND Corporation. He is recognized as a leading specialist in Soviet national income.

Dr. Kenneth W. Dam
University of Chicago

Dr. Dam is with the Law School at the University of Chicago. From 1971 to 1973 he served as Assistant Director (for national security and international affairs), Office of Management and Budget.

Dr. Holland Hunter
Haverford College

Dr. Hunter is Chairman of the Economic Department at Haverford College. He has been a specialist in the Soviet economy for over 25 years and is a recognized expert in the field.

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[redacted] retired from the Agency in 1974. The last position he held was Deputy Director of Strategic Research. [redacted] value to the Panel stems from

his experience in military and military-economic analysis, his familiarity with the community, and his knowledge of the consumers of the intelligence product.

Dr. K. Wayne Smith
Dart Industries

Dr. Smith is a Vice President of Dart Industries, Inc. His past experience in the Department of Defense and the NSC Staff enables him to provide input to the Panel on consumer needs in the field of estimates on Soviet military-economic programs.

Dr. Stanley I. Weiss
Lockheed Missile & Space Company, Inc.

Dr. Weiss is Vice President and Assistant General Manager, Engineering and Development, Space Systems Division at Lockheed. He is responsible for development and engineering, including space programs and technical products for DoD, NASA, and aerospace prime contractors.